

Message Text

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ACTION EUR-12

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 3459

AMEMBASSY MOSCOW

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

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USOECN ALSO FOR EMBASSYS; USEEC

E.O. 11652: GDS

TAGS: EFIN, ETRD, EEWI, IT

SUBJ: ITALIAN PUBLIC SECTOR TRADE DELEGATION VISIT TO MOSCOW

1. DURING A MEETING WITH EMBOFF ON JUNE 7 GIORGIO REITANO AND GIORGIO COPELLO OF THE ITALIAN MINISTRY OF FOREIGN AFFAIRS (MFA) STATE CONTROLLED ECONOMIES OFFICE DISCUSSED THE JUNE 5-8 VISIT TO MOSCOW BY AN ITALIAN PUBLIC SECTOR TRADE DELEGATION LED BY MINISTER OF STATE HOLDINGS ANTONIO BISAGLIA. ACCORDING TO ITALIAN PRESS REPORTS, THE PURPOSE OF THE VISIT WAS TO STRENGTHEN TIES OF ECONOMIC, INDUSTRIAL AND TECHNICAL/SCIENTIFIC COOPERATION AND TO PROMOTE A NEW IMPETUS IN COMMERCIAL EXCHANGE BETWEEN THE TWO COUNTRIES.

2. ACCORDING TO NEWS REPORTS, CONTRACTS WORTH APPROXIMATELY ONE
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BILLION U.S. DOLLARS WERE TO BE DISCUSSED. MINISTER BEITANO EXPLAINED THAT WHEREAS THE PRESS REPORTS WERE FAIRLY ACCURATE, THE BILLION-DOLLAR FIGURE WAS PERHAPS EXAGGERATED. HE QUICKLY ADDED, HOWEVER, THAT THE TRUE VALUE TO FHTE CONTRACTS IS NOT TOO FAR FROM THIS FIGURE. HE EXPLAINED THAT IT IS QUITE DIFFICULT TO ASSIGN ANY SPECIFIC VALUE SINCE THERE IS SERIOUS DOUBT, THAT SEVERAL OF THE CONTRACTS WOULD BE SIGNED. REITANO NOTED THAT ONE PRESS

REPORT MENTIONED ENLARGEMENT OF THE SOVIET FIAT PLANT IN TOGLIATTIGRAD. HE SAID THAT HIS INFORMATION WAS THAT FOR VARIOUS REASONS FIAT OPPOSED THIS AT PRESENT. ANOTHER PROJECT MENTIONED WAS AN ITALIAN-BUILT SOVIET COAL SLURRY PIPELINE FROM SIBERIA ACROSS THE URALS POSSIBLY AS FAR AS THE BLACK SEA, ONE SIMILAR TO A JOINT ITALO-POLISH PROJECT PRESENTLY BEING CONSIDERED. REITANO SAID THAT SUCH A PROJECT IS NO MORE THAN A "FANTASY."

3. REITANO AND COPELLO ADDED THAT THE REAL COMMERCIAL POSSIBILITIES ARE IN THE FIELD OF HEAVY INDUSTRY AND CHEMICALS. AS TO THE LATTER, HOWEVER, GOI IS NOT AT ALL PLEASED WITH TYPICAL SOVIET CONTRACT TERMS UNDER WHICH A FIRM SUCH AS MONTEDISON BUILDS A CHEMICAL PROCESSING PLANT AND AT THE SAME TIME GUARANTEES TO THE SOVIET UNION PURCHASE OF ENOUGH OF THE FINISHED PLANT'S PRODUCTS TO PAY FOR ITS CONSTRUCTION.

4. REITANO DISCUSSED BRIEFLY THE FINANCING OF THESE PROJECTS THEN MOVED ON TO THE SUBJECT OF THE 1977 ITALO-SOVIET CREDIT AGREEMENT. HE EXPLAINED THAT THE GOI EXPECTS ALL PROJECTS AGREED TO IN MOSCOW DURING THE DELEGATION VISIT TO COME UNDER THIS ACCORD.

IN REFERENCE TO THE 1977 CREDIT AGREEMENT, REITANO NOTED THAT THERE ARE TO BE THREE TRANCHES, ONE EACH FOR 1977, 1978, AND 1979. HE ADDED THAT AS A RESULT OF "MONETARY PROBLEMS" (NOT FURTHER DEFINED) NEITHER THE 1977 OR THE 1978 TRANCHE HAD LIMITED OFFICIAL USE

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AS YET BEEN ACTIVATED BUT THAT THEY WERE EXPECTED TO BE "IN A FEW DAYS." THE 1979 TRANCHE IS EXPECTED TO BECOME ACTIVE IN JANUARY OF THAT YEAR.

5. ACCORDING TO THE ITALIAN PRESS WHILE IN MOSCOW THE DELEGATION PLANNED TO MEET WITH THE FOLLOWING SOVIET OFFICIALS:

PREMIER KOSYGIN;

VICE PRESIDENT OF COUNCIL OF MINISTERS AND MINISTER FOR SCIENCE AND TECHNOLOGY KIRBIN;

MINISTER OF FOREIGN TRADE PATOLICHEV;

PRESIDENT OF GOSPLAN BALBAKOV;

MINISTER OF ENERGY FOR GAS ARUYEV;

MINISTER OF ENERGY FOR PETROLEUM MALZEV;

MINISTER OF IRAN AND STEEL KAZANETS;

MINISTER OF THE MERCHANT MARINES GURHENKO.

6. ACTION REQUESTED: WE WOULD APPRECIATE ANY INFORMATION AMEMBASSY MOSCOW MAY PICK UP ON THE RESULTS OF THE DELEGATION VISIT. HOLMES

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